

GATM

9MFY22 Result Review: BUY Stance Maintained

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GATM has announced its 9MFY22 result where it posted a profit after tax of Rs5.605bn (EPS: Rs9.09) as compared to a profit after tax of Rs3.072bn (EPS: Rs4.98) in the same period last year, up by 82.4% YoY.

The company has posted a revenue of Rs68.2bn against Rs56.14bn in SPLY, recording a growth of 21.5% YoY. We note that this growth is attributed to the surge in exports.

The gross margin has been decreased to 18% as compared to 18.4% in SPLY on account of higher input cost.

The operating cost has been decreased by 30.5% YoY to Rs3.738bn as compared to Rs5.38bn in SPLY. Finance cost has been increased by 39.6% YoY to Rs1.818bn as compared to Rs1.302bn in SPLY on account of the higher interest rate.

Going forward, we expect the company to continue its growth momentum as Pakistan's textiles exports have witnessed a surge amid ease in global lockdowns. GATM is currently trading at FY22E PE of 3.28x. Further, the scrip is also trading at FY22E PB of 0.92x which offers a discount of 45% relative to its 3-year historical average of 1.68x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs60 which provides an upside potential of 44.5%.

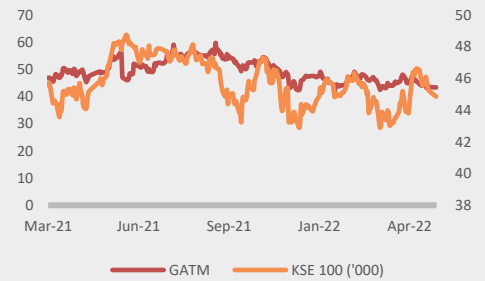
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	21,279	14,881	43.0% ▲	68,205	56,140	21.5% ▲
Cost of Sales	16,838	12,161	38.5% ▲	55,911	45,816	22.0% ▲
Gross Profit	4,441	2,720	63.3% ▲	12,294	10,324	19.1% ▲
Operating Cost	1,143	1,135	0.7% ▲	3,738	5,380	30.5% ▼
Other Income	49	277	117.8% ▼	139	480	71.0% ▼
Operating Profit	3,348	1,862	79.8% ▲	8,695	5,423	60.3% ▲
Finance Cost	649	145	348.8% ▲	1,818	1,302	39.6% ▲
Profit Before Taxation	2,699	1,717	57.2% ▲	6,878	4,121	66.9% ▲
Taxation	450	411	9.5% ▲	1,273	1,049	21.4% ▲
Profit After Taxation	2,249	1,306	72.2% ▲	5,605	3,072	82.4% ▲
Earnings Per Share	3.65	2.12	72.2% ▲	9.09	4.98	82.4% ▲
Dividend	0.00	1.00		0.00	1.00	
Bonus	0%	20%		0.00	20%	
Gross Margin	20.9%	18.3%	2.6% ▲	18.0%	18.4%	0.4% ▼
Operating Cost to Sales	5.4%	7.6%	2.3% ▼	5.5%	9.6%	4.1% ▼
Other Income to Sales	0.2%	1.9%	1.6% ▼	0.2%	0.9%	0.7% ▼
Effective Taxation	16.7%	23.9%	7.3% ▼	18.5%	25.4%	6.9% ▼
Net Margin	10.6%	8.8%	1.8% ▲	8.2%	5.5%	2.7% ▲

Source: ACPL Research, Company Financials

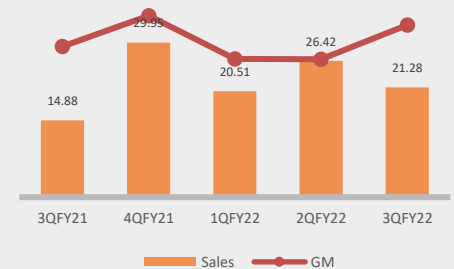
Key Statistics

Symbol	GATM
TP - Dec 22	60.00
LDPCP	41.5
Upside / (Downside)	44.5%
Free Float ('mn)	154
Market Cap. (Rs. 'mn)	25,594

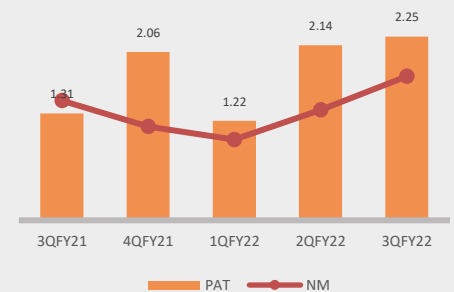
GATM vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	57,288	53,941	86,424	94,203	98,913	103,858	109,051
Cost of sales	45,306	44,872	69,542	77,246	83,087	87,241	91,603
Gross profit	11,982	9,069	16,883	16,956	15,826	16,617	17,448
SG&A Expenses	7,326	7,241	8,726	4,993	5,242	5,504	5,780
Other Expenses	312	264	582	-	742	779	818
Other Income	1,137	368	884	188	198	208	218
Profit from operations	5,482	1,932	8,458	12,152	10,040	10,542	11,069
Finance cost	1,473	2,008	2,341	2,468	2,304	2,132	1,918
Profit before income tax	4,008	- 76	6,117	9,684	7,736	8,410	9,150
Income tax expense	399	403	984	1,888	1,508	1,640	1,784
Profit for the year	3,609	- 479	5,133	7,796	6,227	6,770	7,366
EPS	5.85	- 0.78	8.32	12.64	10.10	10.98	11.94
EBITDA	7,442	4,103	11,195	15,208	13,419	14,213	15,004

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY22E	FY23E
Revenue	25.56%	-5.84%	60.22%	9.00%	5.00%	5.00%	5.00%
Cost of sales	25.67%	-0.96%	54.98%	11.08%	7.56%	5.00%	5.00%
Gross profit	25.13%	-24.31%	86.15%	0.44%	-6.67%	5.00%	5.00%
SG&A Expenses	17.19%	-1.15%	20.51%	-42.78%	5.00%	5.00%	5.00%
Other Expenses	49.86%	-15.26%	120.24%	-100.00%	0.00%	5.00%	5.00%
Other Income	472.56%	-67.67%	140.35%	-78.68%	5.00%	5.00%	5.00%
Profit from operations	65.34%	-64.76%	337.91%	43.67%	-17.38%	5.00%	5.00%
Finance cost	49.27%	36.26%	16.61%	5.42%	-6.64%	-7.46%	-10.03%
Profit before income tax	72.16%	-101.90%	-8137.34%	58.31%	-20.12%	8.71%	8.81%
Income tax expense	57.54%	1.01%	144.13%	91.82%	-20.12%	8.71%	8.81%
Profit for the year	73.94%	-113.28%	-1170.77%	51.88%	-20.12%	8.71%	8.81%
EPS	73.94%	-113.28%	-1170.77%	51.88%	-20.12%	8.71%	8.81%
EBITDA		-44.87%	172.85%	35.85%	-11.76%	5.92%	5.56%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	20.92	16.81	19.53	18.00	16.00	16.00	16.00
NP Margin	%	6.30	-0.89	5.94	8.28	6.30	6.52	6.75
OP Margin	%	9.57	3.58	9.79	12.90	10.15	10.15	10.15
ROE	%	25.86	-3.43	27.47	28.12	18.91	17.39	16.18
ROCE	%	14.82	-1.61	12.18	39.14	25.04	21.95	19.51
ROA	%	6.63	-0.70	5.73	11.39	8.50	8.63	8.76
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.16	1.02	1.10	0.70	0.74	0.80	0.90
Acid-test	x	0.26	0.17	0.27	-0.19	-0.21	-0.20	-0.18
Cash to current liab.	x	0.02	0.01	0.01	-0.41	-0.45	-0.45	-0.45
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	2	2	2	2	2	2	3
Inventory Days		190	231	171	168	166	166	140
Receivables Days		50	37	61	42	43	43	43
Payables Days		39	39	39	39	39	39	39
Operating Cycle		201	229	193	172	170	170	143
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS		5.85	-0.78	8.32	12.64	10.10	10.98	11.94
DPS		2.50	0.00	0.00	2.00	1.50	1.50	2.00
Div. Yield	%	6.02	0.00	0.00	4.82	3.61	3.61	4.82
Dividend Cover		2.34	0.00	0.00	6.32	6.73	7.32	5.97
BVPS		22.63	22.64	30.30	44.96	53.39	63.12	73.81
Payout	%	42.72	0.00	0.00	15.82	14.86	13.66	16.74
Retention	%	57.28	100.00	100.00	84.18	85.14	86.34	83.26
No. of Shares	'mn	616.72	616.72	616.72	616.72	616.72	616.72	616.72
P/E		7.09	N/A	4.99	3.28	4.11	3.78	3.47
Sales per share		92.89	87.46	140.14	152.75	160.39	168.41	176.83
P/BV		1.83	1.83	1.37	0.92	0.78	0.66	0.56
Price to Sales		0.45	0.47	0.30	0.27	0.26	0.25	0.23
Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	2.08	2.82	2.69	1.68	1.29	0.97	0.72
Interest Cover	x	3.72	0.96	3.61	4.92	4.36	4.94	5.77

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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